

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4843, AS REPORTED
OFFERED BY MR. RANGEL OF NEW YORK

Strike all after the enacting clause and insert the text of H.R. 4843, as reported, and add at the end the following new title:

1 **TITLE VIII—ADDITIONAL**
2 **PROVISIONS**

3 **SEC. 801. REFUNDABLE CREDIT TO CERTAIN INDIVIDUALS**
4 **FOR ELECTIVE DEFERRALS AND IRA CON-**
5 **TRIBUTIONS.**

6 (a) IN GENERAL.—Subpart C of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 (relating to refundable credits) is amended by redes-
9 ignating section 35 as section 36 and by inserting after
10 section 34 the following new section:

11 **“SEC. 35. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS**
12 **BY CERTAIN INDIVIDUALS.**

13 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
14 gible individual, there shall be allowed as a credit against
15 the tax imposed by this subtitle for the taxable year an
16 amount equal to the applicable percentage of so much of
17 the qualified retirement savings contributions of the eligi-
18 ble individual for the taxable year as do not exceed \$2,000.

1 “(b) APPLICABLE PERCENTAGE.—For purposes of
 2 this section, the applicable percentage is the percentage
 3 determined in accordance with the following table:

Adjusted Gross Income						Applica- ble per- centage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
\$0	\$25,000	\$0	\$18,750	\$0	\$12,500	50
25,000	35,000	18,750	26,250	12,500	17,500	45
35,000	45,000	26,250	33,750	17,500	22,500	35
45,000	55,000	33,750	41,250	22,500	27,500	25
55,000	75,000	41,250	56,250	27,500	37,500	15
75,000		56,250		37,500		0

4 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
 5 section—

6 “(1) IN GENERAL.—The term ‘eligible indi-
 7 vidual’ means any individual if—

8 “(A) such individual has attained the age
 9 of 18, but has not attained the age of 61, as
 10 of the close of the taxable year, and

11 “(B) the compensation (as defined in sec-
 12 tion 219(f)(1)) includible in the gross income of
 13 the individual (or, in the case of a joint return,
 14 of the taxpayer) for such taxable year is at least
 15 \$5,000.

16 “(2) DEPENDENTS AND FULL-TIME STUDENTS
 17 NOT ELIGIBLE.—The term ‘eligible individual’ shall
 18 not include—

19 “(A) any individual with respect to whom
 20 a deduction under section 151 is allowable to

1 another taxpayer for a taxable year beginning
2 in the calendar year in which such individual's
3 taxable year begins, and

4 “(B) any individual who is a student (as
5 defined in section 151(c)(4)).

6 “(3) INDIVIDUALS RECEIVING CERTAIN RETIRE-
7 MENT DISTRIBUTIONS NOT ELIGIBLE.—

8 “(A) IN GENERAL.—The term ‘eligible in-
9 dividual’ shall not include, with respect to a
10 taxable year, any individual who received during
11 the testing period—

12 “(i) any distribution from a qualified
13 retirement plan (as defined in section
14 4974(c)), or from an eligible deferred com-
15 pensation plan (as defined in section
16 457(b)), which is includible in gross in-
17 come, or

18 “(ii) any distribution from a Roth
19 IRA which is not a qualified rollover con-
20 tribution (as defined in section 408A(e)) to
21 a Roth IRA.

22 “(B) TESTING PERIOD.—For purposes of
23 subparagraph (A), the testing period, with re-
24 spect to a taxable year, is the period which
25 includes—

1 “(i) such taxable year,

2 “(ii) the 2 preceding taxable years,

3 and

4 “(iii) the period after such taxable
5 year and before the due date (without ex-
6 tensions) for filing the return of tax for
7 such taxable year.

8 “(C) EXCEPTED DISTRIBUTIONS.—There
9 shall not be taken into account under subpara-
10 graph (A)—

11 “(i) any distribution referred to in
12 section 72(p), 401(k)(8), 401(m)(6),
13 402(g)(2), 404(k), or 408(d)(4),

14 “(ii) any distribution to which section
15 408A(d)(3) applies, and

16 “(iii) any distribution before January
17 1, 2002.

18 “(D) TREATMENT OF DISTRIBUTIONS RE-
19 CEIVED BY SPOUSE OF INDIVIDUAL.—For pur-
20 poses of determining whether an individual is
21 an eligible individual for any taxable year, any
22 distribution received by the spouse of such indi-
23 vidual shall be treated as received by such indi-
24 vidual if such individual and spouse file a joint
25 return for such taxable year and for the taxable

1 year during which the spouse receives the dis-
2 tribution.

3 “(d) QUALIFIED RETIREMENT SAVINGS CONTRIBU-
4 TIONS.—For purposes of this section, the term ‘qualified
5 retirement savings contributions’ means the sum of—

6 “(1) the amount of the qualified retirement
7 contributions (as defined in section 219(e)) for the
8 benefit of the eligible individual,

9 “(2) the amount of the elective deferrals (as de-
10 fined in section 414(u)(2)(C)) of such individual,
11 and

12 “(3) the amount of voluntary employee con-
13 tributions by such individual to any qualified retire-
14 ment plan (as defined in section 4974(c)).

15 “(e) ADJUSTED GROSS INCOME.—For purposes of
16 this section, adjusted gross income shall be determined
17 without regard to sections 911, 931, and 933.

18 “(f) INVESTMENT IN THE CONTRACT.—Notwith-
19 standing any other provision of law, a qualified retirement
20 savings contribution shall not fail to be included in deter-
21 mining the investment in the contract for purposes of sec-
22 tion 72 by reason of the credit under this section.

23 “(g) TRANSITIONAL RULES.—In the case of taxable
24 years beginning before January 1, 2008—

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2001.

4 **SEC. 802. CREDIT FOR PENSION PLAN STARTUP COSTS OF**
5 **SMALL EMPLOYERS.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
7 chapter A of chapter 1 (relating to business related cred-
8 its) is amended by adding at the end the following new
9 section:

10 **“SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP**
11 **COSTS.**

12 “(a) GENERAL RULE.—For purposes of section 38,
13 in the case of an eligible employer, the small employer pen-
14 sion plan startup cost credit determined under this section
15 for any taxable year is an amount equal to 50 percent
16 of the qualified startup costs paid or incurred by the tax-
17 payer during the taxable year.

18 “(b) DOLLAR LIMITATION.—The amount of the cred-
19 it determined under this section for any taxable year shall
20 not exceed—

21 “(1) \$1,000 for the first credit year,

22 “(2) \$500 for each of the 2 taxable years imme-
23 diately following the first credit year, and

24 “(3) zero for any other taxable year.

1 “(c) ELIGIBLE EMPLOYER.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘eligible em-
4 ployer’ has the meaning given such term by section
5 408(p)(2)(C)(i).

6 “(2) EMPLOYERS MAINTAINING QUALIFIED
7 PLANS DURING 1998 NOT ELIGIBLE.—Such term
8 shall not include an employer if such employer (or
9 any predecessor employer) maintained a qualified
10 plan (as defined in section 408(p)(2)(D)(ii)) with re-
11 spect to which contributions were made, or benefits
12 were accrued, for service in 1998. If only individuals
13 other than employees described in subparagraph (A)
14 or (B) of section 410(b)(3) are eligible to participate
15 in the qualified employer plan referred to in sub-
16 section (d)(1), then the preceding sentence shall be
17 applied without regard to any qualified plan in
18 which only employees so described are eligible to
19 participate.

20 “(d) OTHER DEFINITIONS.—For purposes of this
21 section—

22 “(1) QUALIFIED STARTUP COSTS.—

23 “(A) IN GENERAL.—The term ‘qualified
24 startup costs’ means any ordinary and nec-

1 essary expenses of an eligible employer which
2 are paid or incurred in connection with—

3 “(i) the establishment or administra-
4 tion of an eligible employer plan, or

5 “(ii) the retirement-related education
6 of employees with respect to such plan.

7 “(B) PLAN MUST HAVE AT LEAST 2 PAR-
8 TICIPANTS.—Such term shall not include any
9 expense in connection with a plan that does not
10 have at least 2 individuals who are eligible to
11 participate.

12 “(C) PLAN MUST BE ESTABLISHED BE-
13 FORE JANUARY 1, 2010.—Such term shall not
14 include any expense in connection with a plan
15 established after December 31, 2009.

16 “(2) ELIGIBLE EMPLOYER PLAN.—The term
17 ‘eligible employer plan’ means a qualified employer
18 plan within the meaning of section 4972(d), or a
19 qualified payroll deduction arrangement within the
20 meaning of section 408(q)(1) (whether or not an
21 election is made under section 408(q)(2)). A quali-
22 fied payroll deduction arrangement shall be treated
23 as an eligible employer plan only if all employees of
24 the employer who—

25 “(A) have been employed for 90 days, and

1 “(B) are not described in subparagraph
2 (A) or (C) of section 410(b)(3),
3 are eligible to make the election under section
4 408(q)(1)(A).

5 “(3) FIRST CREDIT YEAR.—The term ‘first
6 credit year’ means—

7 “(A) the taxable year which includes the
8 date that the eligible employer plan to which
9 such costs relate becomes effective, or

10 “(B) at the election of the eligible em-
11 ployer, the taxable year preceding the taxable
12 year referred to in subparagraph (A).

13 “(e) SPECIAL RULES.—For purposes of this
14 section—

15 “(1) AGGREGATION RULES.—All persons treat-
16 ed as a single employer under subsection (a) or (b)
17 of section 52, or subsection (n) or (o) of section 414,
18 shall be treated as one person. All eligible employer
19 plans shall be treated as 1 eligible employer plan.

20 “(2) DISALLOWANCE OF DEDUCTION.—No de-
21 duction shall be allowed for that portion of the quali-
22 fied startup costs paid or incurred for the taxable
23 year which is equal to the credit determined under
24 subsection (a).

1 “(3) ELECTION NOT TO CLAIM CREDIT.—This
2 section shall not apply to a taxpayer for any taxable
3 year if such taxpayer elects to have this section not
4 apply for such taxable year.”

5 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
6 NESS CREDIT.—Section 38(b) (defining current year busi-
7 ness credit) is amended by striking “plus” at the end of
8 paragraph (11), by striking the period at the end of para-
9 graph (12) and inserting “, plus”, and by adding at the
10 end the following new paragraph:

11 “(13) in the case of an eligible employer (as de-
12 fined in section 45D(c)), the small employer pension
13 plan startup cost credit determined under section
14 45D(a).”

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 39(d) is amended by adding at the
17 end the following new paragraph:

18 “(8) NO CARRYBACK OF SMALL EMPLOYER
19 PENSION PLAN STARTUP COST CREDIT BEFORE EF-
20 FECTIVE DATE.—No portion of the unused business
21 credit for any taxable year which is attributable to
22 the small employer pension plan startup cost credit
23 determined under section 45D may be carried back
24 to a taxable year ending on or before the date of the
25 enactment of section 45D.”

1 (2) Subsection (c) of section 196 is amended by
2 striking “and” at the end of paragraph (7), by strik-
3 ing the period at the end of paragraph (8) and in-
4 serting “, and”, and by adding at the end the fol-
5 lowing new paragraph:

6 “(9) the small employer pension plan startup
7 cost credit determined under section 45D(a).”

8 (3) The table of sections for subpart D of part
9 IV of subchapter A of chapter 1 is amended by add-
10 ing at the end the following new item:

 “Sec. 45D. Small employer pension plan startup costs.”

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to costs paid or incurred in taxable
13 years ending after the date of the enactment of this Act.

14 **SEC. 803. CREDIT FOR QUALIFIED PENSION PLAN CON-**
15 **TRIBUTIONS OF SMALL EMPLOYERS.**

16 (a) IN GENERAL.—Subpart D of part IV of sub-
17 chapter A of chapter 1 (relating to business related cred-
18 its) is amended by adding at the end the following new
19 section:

20 **“SEC. 45E. SMALL EMPLOYER PENSION PLAN CONTRIBU-**
21 **TIONS.**

22 “(a) GENERAL RULE.—For purposes of section 38,
23 in the case of an eligible employer, the small employer pen-
24 sion plan contribution credit determined under this section
25 for any taxable year is an amount equal to 50 percent

1 of the amount which would (but for subsection (f)(1)) be
2 allowed as a deduction under section 404 for such taxable
3 year for qualified employer contributions made to any
4 qualified retirement plan on behalf of any nonhighly com-
5 pensated employee.

6 “(b) CREDIT LIMITED TO 3 YEARS.—The credit al-
7 lowable by this section shall be allowed only with respect
8 to the period of 3 taxable years beginning with the taxable
9 year in which the qualified retirement plan becomes effec-
10 tive.

11 “(c) QUALIFIED EMPLOYER CONTRIBUTION.—For
12 purposes of this section—

13 “(1) DEFINED CONTRIBUTION PLANS.—In the
14 case of a defined contribution plan, the term ‘quali-
15 fied employer contribution’ means the amount of
16 nonelective and matching contributions to the plan
17 made by the employer on behalf of any nonhighly
18 compensated employee to the extent such amount
19 does not exceed 3 percent of such employee’s com-
20 pensation from the employer for the year.

21 “(2) DEFINED BENEFIT PLANS.—In the case of
22 a defined benefit plan, the term ‘qualified employer
23 contribution’ means the amount of employer con-
24 tributions to the plan made on behalf of any non-
25 highly compensated employee to the extent that the

1 accrued benefit of such employee derived from such
2 contributions for the year do not exceed the equiva-
3 lent (as determined under regulations prescribed by
4 the Secretary and without regard to contributions
5 and benefits under the Social Security Act) of 3 per-
6 cent of such employee's compensation from the em-
7 ployer for the year.

8 “(d) QUALIFIED RETIREMENT PLAN.—

9 “(1) IN GENERAL.—The term ‘qualified retire-
10 ment plan’ means any plan described in section
11 401(a) which includes a trust exempt from tax
12 under section 501(a) if the plan meets—

13 “(A) the contribution requirements of
14 paragraph (2),

15 “(B) the vesting requirements of para-
16 graph (3), and

17 “(C) the distributions requirements of
18 paragraph (4).

19 “(2) CONTRIBUTION REQUIREMENTS.—

20 “(A) IN GENERAL.—The requirements of
21 this paragraph are met if, under the plan—

22 “(i) the employer is required to make
23 nonelective contributions of at least 1 per-
24 cent of compensation (or the equivalent
25 thereof in the case of a defined benefit

1 plan) for each nonhighly compensated em-
2 ployee who is eligible to participate in the
3 plan, and

4 “(ii) allocations of nonelective em-
5 ployer contributions are either in equal dol-
6 lar amounts for all employees covered by
7 the plan or bear a uniform relationship to
8 the total compensation, or the basic or reg-
9 ular rate of compensation, of the employ-
10 ees covered by the plan.

11 “(B) COMPENSATION LIMITATION.—The
12 compensation taken into account under sub-
13 paragraph (A) for any year shall not exceed the
14 limitation in effect for such year under section
15 401(a)(17).

16 “(3) VESTING REQUIREMENTS.—The require-
17 ments of this paragraph are met if the plan satisfies
18 the requirements of subparagraph (A) or (B).

19 “(A) 3-YEAR VESTING.—A plan satisfies
20 the requirements of this subparagraph if an em-
21 ployee who has completed at least 3 years of
22 service has a nonforfeitable right to 100 percent
23 of the employee’s accrued benefit derived from
24 employer contributions.

1 “(B) 5-YEAR GRADED VESTING.—A plan
 2 satisfies the requirements of this subparagraph
 3 if an employee has a nonforfeitable right to a
 4 percentage of the employee’s accrued benefit de-
 5 rived from employer contributions determined
 6 under the following table:

“Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.

7 “(4) DISTRIBUTION REQUIREMENTS.—

8 “(A) IN GENERAL.—Except as provided in
 9 subparagraph (B), the requirements of this
 10 paragraph are met if, under the plan—

11 “(i) in the case of a profit-sharing or
 12 stock bonus plan, amounts are distribut-
 13 able only as provided in section
 14 401(k)(2)(B), and

15 “(ii) in the case of a pension plan,
 16 amounts are distributable subject to the
 17 limitations applicable to other distributions
 18 from the plan.

19 “(B) DISTRIBUTIONS WITHIN 5 YEARS
 20 AFTER SEPARATION, ETC.—In no event shall a
 21 plan meet the requirements of this paragraph
 22 unless, under the plan, amounts distributed—

1 “(i) after separation from service or
2 severance from employment, and

3 “(ii) within 5 years after the date of
4 the earliest employer contribution to the
5 plan,

6 may be distributed only in a direct trustee-to-
7 trustee transfer to a plan having the same dis-
8 tribution restrictions as the distributing plan.

9 “(e) OTHER DEFINITIONS.—For purposes of this
10 section—

11 “(1) ELIGIBLE EMPLOYER.—The term ‘eligible
12 employer’ has the meaning given such term by sec-
13 tion 408(p)(2)(C)(i).

14 “(2) NONHIGHLY COMPENSATED EMPLOY-
15 EES.—The term ‘highly compensated employee’ has
16 the meaning given such term by section 414(q) (de-
17 termined without regard to section 414(q)(1)(B)(ii)).

18 “(f) SPECIAL RULES.—

19 “(1) DISALLOWANCE OF DEDUCTION.—No de-
20 duction shall be allowed for that portion of the quali-
21 fied employer contributions paid or incurred for the
22 taxable year which is equal to the credit determined
23 under subsection (a).

24 “(2) ELECTION NOT TO CLAIM CREDIT.—This
25 section shall not apply to a taxpayer for any taxable

1 year if such taxpayer elects to have this section not
2 apply for such taxable year.

3 “(g) RECAPTURE OF CREDIT ON FORFEITED CON-
4 TRIBUTIONS.—If any accrued benefit which is forfeitable
5 by reason of subsection (d)(3) is forfeited, the employer’s
6 tax imposed by this chapter for the taxable year in which
7 the forfeiture occurs shall be increased by 35 percent of
8 the employer contributions from which such benefit is de-
9 rived to the extent such contributions were taken into ac-
10 count in determining the credit under this section.

11 “(h) REGULATIONS.—The Secretary shall prescribe
12 such regulations as may be appropriate to carry out the
13 purposes of this section, including regulations to prevent
14 the abuse of the purposes of this section through the use
15 of multiple plans.

16 “(i) TERMINATION.—This section shall not apply to
17 any plan established after December 31, 2009.”

18 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
19 NESS CREDIT.—Section 38(b) (defining current year busi-
20 ness credit) is amended by striking “plus” at the end of
21 paragraph (12), by striking the period at the end of para-
22 graph (13) and inserting “, plus”, and by adding at the
23 end the following new paragraph:

24 “(14) in the case of an eligible employer (as de-
25 fined in section 45E(e)), the small employer pension

1 plan contribution credit determined under section
2 45E(a).”

3 (c) CONFORMING AMENDMENTS.—

4 (1) Section 39(d) is amended by adding at the
5 end the following new paragraph:

6 “(9) NO CARRYBACK OF SMALL EMPLOYER
7 PENSION PLAN CONTRIBUTION CREDIT BEFORE JAN-
8 UARY 1, 2002.—No portion of the unused business
9 credit for any taxable year which is attributable to
10 the small employer pension plan contribution credit
11 determined under section 45E may be carried back
12 to a taxable year beginning before January 1,
13 2002.”

14 (2) Subsection (c) of section 196 is amended by
15 striking “and” at the end of paragraph (8), by strik-
16 ing the period at the end of paragraph (9) and in-
17 serting “, and”, and by adding at the end the fol-
18 lowing new paragraph:

19 “(10) the small employer pension plan contribu-
20 tion credit determined under section 45E(a).”

21 (3) The table of sections for subpart D of part
22 IV of subchapter A of chapter 1 is amended by add-
23 ing at the end the following new item:

“Sec. 45E. Small employer pension plan contributions.”

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to contributions paid or incurred
3 in taxable years beginning after December 31, 2001.

4 **SEC. 804. LIMITATION ON CATCH-UP CONTRIBUTIONS.**

5 (a) IN GENERAL.—Section 414(v), as added by sec-
6 tion 301, is amended by adding at the end the following
7 new paragraph:

8 “(6) LIMITATION.—This subsection shall apply
9 with respect to a participant for a year only if the
10 participant is not a highly compensated employee
11 and certifies to the plan administrator that the par-
12 ticipant has been out of the workforce for at least
13 2 of the preceding 7 years. A plan shall not be treat-
14 ed as failing to meet the requirements of this sub-
15 section by reason of reliance on an incorrect certifi-
16 cation under this paragraph unless the plan adminis-
17 trator knew, or reasonably should have known, that
18 the certification was incorrect.”

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to contributions in taxable years
21 beginning after December 31, 2000.

1 **SEC. 805. TREATMENT OF MULTIEMPLOYER PLANS UNDER**
2 **SECTION 415.**

3 (a) EARLY RETIREMENT LIMITS FOR CERTAIN
4 PLANS.—Subparagraph (F) of section 415(b)(2) is
5 amended to read as follows:

6 “(F) MULTIEMPLOYER PLANS AND PLANS
7 MAINTAINED BY GOVERNMENTS AND TAX EX-
8 EMPT ORGANIZATIONS.—In the case of a gov-
9 ernmental plan (within the meaning of section
10 414(d)), a plan maintained by an organization
11 (other than a governmental unit) exempt from
12 tax under this subtitle, a multiemployer plan
13 (as defined in section 414(f)), or a qualified
14 merchant marine plan—

15 “(i) subparagraph (C) shall be
16 applied—

17 “(I) by substituting ‘age 62’ for
18 ‘social security retirement age’ each
19 place it appears, and

20 “(II) as if the last sentence
21 thereof read as follows: ‘The reduction
22 under this subparagraph shall not re-
23 duce the limitation of paragraph
24 (1)(A) below (i) 80 percent of such
25 limitation as in effect for the year, or
26 (ii) if the benefit begins before age 55,

1 the equivalent of such 80 percent
2 amount for age 55.’, and
3 “(ii) subparagraph (D) shall be ap-
4 plied by substituting ‘age 65’ for ‘social se-
5 curity retirement age’ each place it ap-
6 pears.

7 For purposes of this subparagraph, the term
8 ‘qualified merchant marine plan’ means a plan
9 in existence on January 1, 1986, the partici-
10 pants in which are merchant marine officers
11 holding licenses issued by the Secretary of
12 Transportation under title 46, United States
13 Code.”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to years beginning after December
16 31, 2000.

17 **SEC. 806. SENSE OF THE HOUSE OF REPRESENTATIVES RE-**
18 **GARDING CASH BALANCE PENSION PLAN**
19 **CONVERSIONS.**

20 (a) FINDINGS.—The House of Representatives finds
21 the following:

22 (1) Defined benefit pension plans are guaran-
23 teed by the Pension Benefit Guaranty Corporation
24 and provide a lifetime benefit for a beneficiary and
25 spouse.

1 (2) Defined benefit pension plans provide mean-
2 ingful retirement benefits to rank and file workers,
3 since such plans are generally funded by employer
4 contributions.

5 (3) Employers should be encouraged to estab-
6 lish and maintain defined benefit pension plans.

7 (4) An increasing number of major employers
8 have been converting their traditional defined benefit
9 plans to “cash balance” or other hybrid defined ben-
10 efit plans.

11 (5) Under current law, employers are not re-
12 quired to provide plan participants with meaningful
13 disclosure of the impact of converting a traditional
14 defined benefit plan to a “cash balance” or other hy-
15 brid formula.

16 (6) For a number of years after a conversion,
17 the cash balance or other hybrid benefit formula
18 may result in a period of “wear away” during which
19 older and longer service participants earn no addi-
20 tional benefits.

21 (7) Federal law prohibits pension plan partici-
22 pants from being discriminated against on the basis
23 of age in the provision of pension benefits.

24 (b) SENSE OF THE HOUSE.—It is the sense of the
25 House of Representatives that pension plan participants

1 whose plans are changed to cause older or longer service
2 workers to earn less retirement income, including conver-
3 sions to “cash balance plans”, should receive additional
4 protection under the Internal Revenue Code of 1986 than
5 what is currently provided, and Congress should act this
6 year to address this important issue. In particular, the tax
7 laws, at a minimum, should provide that—

8 (1) all pension plan participants receive ade-
9 quate, accurate, and timely notice of any change to
10 a plan that will cause participants to earn less re-
11 tirement income in the future; and

12 (2) pension plans that are changed to a cash
13 balance or other hybrid formula not be permitted to
14 “wear away” participants’ benefits in such a manner
15 that older and longer service participants earn no
16 additional pension benefits for a period of time after
17 the change.